

**INTERNAL AUDIT RECOMMENDATIONS MONITORING REPORT****DATE OF REVIEW:** 30 November 2023**DATE OF BUSINESS RISK MANAGEMENT GROUP:** 06 December 2023**DATE OF PERFORMANCE AND SCRUTINY COMMITTEE:** N/A – self tracker for BRMG**1.0 Overview**

In December 2020 a meeting was held with the Head of Internal Audit at Carmarthenshire County Council to discuss the monitoring arrangements for Internal Audit report recommendations. This was prompted by a request by the Performance, Audit and Scrutiny Committee (PASC) in July 2019 for members to receive a twice-yearly follow-up report at mid-year and end of year with all outstanding actions being reported to the Committee. This has proven quite an onerous task for both the Internal Auditors and the Service and Internal Audit have suggested that we implement a more efficient process based on a self-assessment and tracker approach.

The Business Risk Monitoring Group (BRMG) was identified as the appropriate forum for receiving and reviewing this information throughout the year.

The Recommendations are presented in the format of a monitoring report with updates from responsible officers. The first monitoring report was received by BRMG in March 2021 and quarterly update reports have been presented to subsequent meetings.

To satisfy the request from PASC to receive bi-annual updates, the mid-year update for 2022/23 was reported to PASC late January 2023. The “Head of Internal Audit’s Annual Report for 2022/23 was reported to PASC in July 2023. The “Follow-up” report for 2022/23, was not completed until September 2023 and was reported to PASC in October 2023.

For clarity the monitoring timetable is:

<b>Meeting</b>	<b>Date</b>	<b>Monitoring</b>	<b>Period</b>
PASC	July 2023	Internal Audit	EOY 2022/23
BRMG	September 2023	Self-Tracker	Q2
<b>BRMG</b>	<b>December 2023</b>	<b>Self-Tracker</b>	<b>Q3</b>
PASC	February 2024	Self-Tracker	Mid-Year 2023/24
BRMG	March 2024	Self-Tracker	Q4
BRMG	June 2024	No report	
PASC	July 2024	Internal Audit	EOY 2023/24

The starting point for 2023/24 is the outstanding actions brought forward from the 2022/23 End of Year Internal Audit report and earlier. Recommendations and agreed actions will be added as the 2023/24 Internal Audit Plan is delivered.

Management responses shown in section 3.0 identify that the majority of issues raised have been addressed, where issues remain outstanding the Responsible Officers are continuing to work on the agreed actions.

Recommendations arising from Internal Audit Work are graded according to the risk levels of the weaknesses identified with each recommendation assigned a rating as follows:

Priority Rating		Description
Priority 1 ***	Fundamental weakness	Control issues to be addressed as a high priority. These relate to issues that are fundamental and material to the system of internal control at a service level.
Priority 2 **	Strengthen Existing Controls	Action required to avoid exposure to significant risks. These relate to issues that procedures do exist but require strengthening.
Priority 3 *	Minor Issues	Action required which should result in enhanced control or better value for money. These are issues arising that would, if corrected, improve the internal control environment in general but are not vital to the overall system of internal control.

Based on an analysis of the number of recommendations and ratings an Assurance Level is noted for each report:

Assurance Level	Description
High	Goods controls consistently applied. Low risk of not meeting objectives. Low risk of fraud, negligence, loss, damage to reputation.
Acceptable	Moderate controls, some areas of non-compliance with agreed controls. Medium / low risk of not meeting objectives Medium / low risk of fraud, negligence, loss, damage to reputation.
Low	Inadequate controls. High risk of not meeting objectives. High risk of fraud, negligence, loss, damage to reputation.

## 2.0 INTERNAL AUDIT RECOMMENDATIONS SUMMARY

Section	Audit Job Details	Audit Year	Assurance Level	Issues Raised	Issues outstanding @ 30/11/2023	Further information / Comments
<a href="#">3.1</a>	Stores	2021/22	Low	5	1	Update provided by Head of Fleet, Engineering and Logistics
<a href="#">3.2</a>	Payroll	2022/23	Acceptable	3	1	Update provided by Head of Human Resources
<a href="#">3.3</a>	Leased Cars	2022/23	Acceptable	2	0	Update provided by Head of Fleet, Engineering and Logistics
<a href="#">3.4</a>	Critical Operational Locations (COL's) Surveys Grant	2022/23	Acceptable	3	1	Update provided by Accountancy & Systems Manager
<a href="#">3.5</a>	Main Accounting System (MAS)	2023/24	High	1	0	Update provided by Head of Finance
<a href="#">3.6</a>	VAT	2023/24	Acceptable	1	1	Update provided by Accountancy & Systems Manager
3.7	Cloud Computing	2022/23	High	1	1	See exempt report
3.8	Cyber/Network Security	2022/23	Acceptable	6	6	See exempt report

### 3.0 INTERNAL AUDIT REPORTS WITH OUTSTANDING ISSUES

#### 3.1 Stores

Five issues were raised in the 2021/22 audit, one of which is currently outstanding.

Stores	
<p><b>Finding 2: Stock Orders and Invoices</b></p>	<p>There are limited controls in place for the raising and authorisation of orders and invoices resulting in a lack of separation in duties.</p> <p>Testing of a sample of 10 expenditure transactions in relation to stock items identified that official orders are being raised and invoices are being paid without any formal authorisation process. In particular, it was found that:</p> <ul style="list-style-type: none"> <li>• Official orders for stock items are generally being raised and processed on the Agresso back-office system, by officers without the appropriate access levels;</li> <li>• Official orders are raised but are not required to be authorised when raised through the back-office system;</li> <li>• Invoices are not authorised prior to payment by the Finance Department, unless they are outside the set tolerance level;</li> <li>• Two instances were identified where the details of the official orders had been subsequently adjusted, therefore the invoices, which were greater than the original order in quantity of items and value, were automatically paid rather than going through the Agresso systems 'out of tolerance' approval process. It is unclear why such adjustments were made in this way or who actioned them;</li> <li>• There was one instance where there was no evidence available to support the date the invoice was received by the Finance Department and therefore, it was not possible to ensure that the invoice had been paid promptly, in line with the Late Payment of Commercial Debts legislation.</li> </ul>
<p><b>Recommendation</b> <b>Priority Level: ***</b></p>	<p>Procedures should be reviewed and improved to ensure that the requirements of Financial Procedure Rules are fully complied with, and documented procedures / flowcharts should be updated accordingly. In particular:</p> <ul style="list-style-type: none"> <li>• all orders should be raised appropriately,</li> <li>• all orders and invoices should be authorised by a designated authorising officer,</li> <li>• Staff should be reminded of the importance of maintaining evidence of the date invoices are received in order to demonstrate compliance with the Late Payment of Commercial Debts Legislation, the process should enable an adequate separation in duties to be achieved.</li> </ul>
<p><b>Management Response</b></p>	<p>Purchase orders raised in Back Office are generally for approved stock items that have reached the minimum order threshold, and not for ad-hoc purchases. However, as captured within the general opinion the system limitations of the Agresso Stores system does not permit varying levels of access control, as such if an individual has access to the stores module, they can raise orders and also amend orders.</p> <p>Despite this, no orders have been raised aside from those Stores staff whose task is as part of their Job Role.</p> <p>The current mode of operation has been in situ since the system was introduced in 2007, and the details of the order approval process have been considered within the 2018/19 Internal Audit which classed the overall Stores assurance rating as acceptable.</p>

	<p>That being said, it is acknowledged that despite the long standing and established mode of operation, the introduction of an approval stage would be a positive improvement. In this regard, the Service has previously worked with Carmarthenshire County Council prior to the completion of this audit to try and introduce an electronic approval stage to engineer out the issue, but it has been confirmed software system limitations will prevent this.</p> <p>Manual paper-based solutions are currently being considered but are proving challenging to implement due to the high volume of transactions and the small size of the Stores Team (4 people including one driver). The longer-term solution being considered is the scoping of a more modern and fit for purpose software system with various access and approval levels set up within the system which will remove the issue in its entirety.</p> <p>Regarding the amendment of purchase orders, this behaviour sits outside documented procedures. All staff have been reminded and readvised of the correct procedure and the appropriate managerial actions have been progressed.</p>
<b>Responsible Officer</b>	Head of Fleet, Engineering and Logistics Department
<b>Implementation Date</b>	March 2023
<b>PASC Position reported As at 21/03/2023:</b>	<p><b>Ongoing</b> - This element is still being scoped, with Agresso not being a dedicated warehouse management system it has significant gaps when compared to a modern system. The gaps mainly relate to the fact that there is currently a total reliance on complex manual process, paper print outs, and free text for almost all transactions, which is undesirable.</p> <p>Conversely dedicated stores management systems utilise automated workflows, barcode scanners, and other store specific functions to streamline processes and reduce the risk of human error.</p> <p>In addition to this there is the issue relating to the inability to separate access levels/responsibilities for staff, which cannot be overcome within the current software system.</p> <p>An increased focus is being placed on monitoring in the short term while a longer-term option of exploring a fit for purpose warehouse system is scoped, which in the view of FELD is essential to improve the overall management of stores and accuracy regarding frequent transactions.</p> <p>As long as the Agresso system remains in situ there will be a reliance on complex time-consuming manual processes, which due to their nature have an attached risk of inaccuracies. Options for a long-term solution will be reported back in due course.</p> <p>It is important to note that these systems have been in place since 2007 and the current ways of working are not a new occurrence.</p>
<b>BRMG Position reported As at 31/08/2023:</b>	<p><b>Ongoing</b> - Early review of the Warehouse module in TranSend indicates that it may be a potential option for the Main Service warehouse. Whilst this appears to offer the opportunity to introduce improvement, no decision will be progressed until the model has gone live in the fleet stores, to enable proper testing and evaluation.</p>

<p><b>Current Position As at 30/11/2023:</b></p>	<p><b>Ongoing</b> - Whilst no live evaluation has occurred yet, local examination of the TranSend workflows and system functionality appears positive, with various levels of user access control and stock monitoring dashboards present.</p> <p>The full evaluation of the warehouse module has not been able to be progressed as the interface between the TranSend system and the Service's Financial Management System (FMS) Agresso is yet to be implemented by our Agresso system host, this work is overdue and has been escalated.</p> <p>As soon as the interface is implemented staff in FELD and Finance will be retrained, and the warehouse module will be brought online and then evaluated.</p>
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### 3.2 Payroll

Three issues were raised in the 2022/23 audit, one of which is currently outstanding.

Payroll	
<b>Finding 1: Policies and Procedures</b>	It was identified that the Work and Family Procedure was due to be reviewed in March 2022, although Internal Audit has been advised that this has been delayed pending the Neo-natal Care (Leave & Pay) Bill being passed.
<b>Recommendation Priority Level: *</b>	All documented policies and procedures should be reviewed and updated, where appropriate, on a regular basis, in accordance with specified timelines.
<b>Management Response</b>	All policies and procedures are reviewed and updated as appropriate. The Work & Family Procedure was due a review in March 2022, and whilst no updates were required at that time, a single comprehensive review incorporating the pending Neonatal Care (Leave and Pay) Bill was considered appropriate. This remains the case and the procedure will be reviewed and updated in due course.
<b>Responsible Officer</b>	HR Manager
<b>Implementation Date</b>	31/07/2023
<b>BRMG Position reported As at 31/08/2023:</b>	<p><b>Ongoing</b> - Following internal feedback on the requirement for simplified procedures, the Work &amp; Family Procedure has been split out into separate procedures. This is currently in draft form, pending approval through the appropriate governance channels. The approved procedure will be uploaded to Teams in due course.</p> <p>The Neo-natal Care (Leave &amp; Pay) Bill has received Royal Assent on the 24 May 2023, with a likely implementation date of 2025, therefore the procedure will be updated in due course to reflect the changes once the secondary legislation has been laid.</p>
<b>Current Position As at 30/11/2023:</b>	<p><b>Ongoing</b> - This is currently in draft form, pending approval through the appropriate governance channels. The Neo-natal Care (Leave &amp; Pay) Bill has received Royal Assent on the 24 May 2023, with a likely implementation date of 2025, therefore the procedure will be updated in due course to reflect the changes once the secondary legislation has been laid.</p>

### 3.3 Leased Cars

Two issues were raised in the 2022/23 audit. One was partly outstanding at the Quarter 2 updated but this is now completed.

<b>Leased Cars</b>	
<b>Finding 2: Compliance</b>	<p>Testing of a sample of 10 employees identified that the service contributions were not always consistent with the approved allowance of 8% of the employees' salaries in three instances, and the employees' contributions were not restricted to 3% of their gross salary in three instances.</p> <p>During testing it was identified that the 'Contract Hire Salary Calculation' forms utilised are not consistent, with variations existing in the officers required in calculating, checking and approval.</p> <p>Testing identified one instance where an officer involved in the calculation verification process had a close personal relationship with the employee, resulting in a potential conflict of interest. Whilst the form had been signed by the Director of Operational Support &amp; Improvement in accordance with current practice, this form had not been signed by a Corporate Head as required.</p>
<b>Recommendation Priority Level: **</b>	<p>Procedures for the management and administration of the leased car scheme should be improved to ensure all calculations are accurate, and forms utilised are consistent and fit for purpose.</p> <p>Procedures need to be established to mitigate any conflict of interest, ensuring staff are not placed in a vulnerable position.</p> <p>All inaccuracies identified should be reviewed and adjustments actioned where appropriate.</p>
<b>Management Response</b>	<p>The procedures for the management and administration of the leased car scheme have been reviewed and improvements to forms and processes are currently being implemented.</p> <p>Where a Corporate Head had not signed the calculation form, this was because the individual applying for the lease vehicle was a Corporate Head himself and so it was signed off by a Director instead, which is appropriate.</p> <p>Procedures will be established to mitigate any conflict of interest that may occur. When any inaccuracies were identified, adjustments were made and reported accordingly.</p>
<b>Responsible Officer</b>	Head of Fleet, Engineering & Logistics Department / Accountancy & Systems Manager
<b>Implementation Date</b>	31/12/2023
<b>BRMG Position reported As at 31/08/2023:</b>	<p><b>Ongoing</b> - The improvements to forms and processes that were planned and mentioned in the previous update went live with the new lease car procedure in August 2023.</p> <p>A review of the process changes and new forms is planned for later in the year to consider the impact of the changes and whether it has improved the overall process.</p>
<b>Current Position As at 30/11/2023:</b>	<b>Complete</b> - The planned review has taken place and the new forms have been added to the policy as appendices and published on the Service's Insight pages.



### 3.4 Critical Operational Locations Surveys Grant

Three issues were raised in the 2022/23 audit, one of which is currently outstanding, the implementation date for which is 31 March 2024 in order to facilitate a review period.

<b>Critical Operational Locations Surveys Grant</b>	
<b>Finding 1: Overclaim</b>	<p>Testing of a sample of ten transactions that had been claimed during the 2022/23 financial year identified one instance where income, in relation to an accrual transaction for £58k included in the quarter 4 claim, had previously been received, in advance, from the HO.</p> <p>Accrual transactions in relation to the advance income receipt have been actioned as the respective surveys are yet to be completed. The accrual transaction has been included incorrectly in the quarter 4 claim and has resulted in an overclaim to WG of £58k.</p>
<b>Recommendation Priority Level: **</b>	<p>Claims should only include transactions that are eligible under the terms and conditions of the grant.</p> <p>The claim verification process should ensure that checks are undertaken to ensure the eligibility of transactions prior to submitting claims, to avoid any future overclaims occurring.</p>
<b>Management Response</b>	<p>This oversight was caused by a rapid changeover in staff. The £58k was correct to be on the Q4 claim, however in the Q1/2 return the accrual reversal of £58k was not processed which would have negated the Q4 £58k. The error has been corrected and funds to the value of £27,628 have been returned to Welsh Government (WG) and the remainder was attributed to an outstanding invoice that was agreed by WG as eligible expenditure.</p> <p>We will continue to monitor and check grant returns as appropriate and will pay particular attention to accruals to ensure that accrual reversals are matched off accordingly.</p>
<b>Responsible Officer</b>	Grant Manager / Accountancy & Systems Manager
<b>Implementation Date</b>	Immediate
<b>Current position As at 30/11/2023:</b>	<b>Complete</b> – Accruals will be monitored closely on each grant return.

<b>Critical Operational Locations Surveys Grant</b>	
<b>Finding 2: Re-allocated costs</b>	<p>Testing has identified one instance where a transaction for £800 has been claimed against the Assurance Team grant funding rather than the COLs grant funding. Internal Audit have been advised that WG verbally approved this re-allocation, however, there is no documentation available to support this approval.</p> <p>Internal Audit enquired as to why a virement was not actioned to re-allocate costs for the remaining Assurance Team underspend in order to fully maximise grant income into the Authority; the explanation provided was that further costs were not re-allocated to maximise the grant funding, due to time restrictions.</p>
<b>Recommendation Priority Level: **</b>	<p>Written approval should be sought and maintained for all instances where costs are re-allocated, in order to demonstrate that adequate approval has been agreed by WG.</p> <p>Where it is appropriate to do so, with the correct approval in place, costs should be reallocated to maximise grant income for the Authority.</p>
<b>Management Response</b>	<p>This relates to a recharge to the Service for 2 COL surveys undertaken by Service employees @ a cost of £400 per survey. Verbal confirmation was received by the Grant Manager that these charges could be charged to the Assurance grant. Written approval will be sought in the future.</p> <p>We agree that where approval is in place cost should be reallocated to maximise the grant income for the Authority. However, this is not always achievable owing to time constraints and organisations' differing end of year invoicing processes and timings.</p>
<b>Responsible Officer</b>	Grant Manager / Accountancy & Systems Manager
<b>Implementation Date</b>	Immediate
<b>Current position As at 30/11/2023:</b>	<b>Complete</b> – see management response.

<b>Critical Operational Locations Surveys Grant</b>	
<b>Finding 3: Expenditure</b>	Testing of a sample of 10 expenditure transactions identified four instances where there was no evidence provided to demonstrate that the appropriate checks had been undertaken, in accordance with the requirements of Financial Procedure Rules.
<b>Recommendation Priority Level: **</b>	In accordance with the requirements of Financial Procedure Rules, the specified checks should be undertaken prior to the invoice being processed and obtaining final approval.  Evidence that the checks have been undertaken should be maintained.
<b>Management Response</b>	For non-PO invoices - following consolidation of COL's reported on the Home Office software system, progress reports are provided to the Grant Manager and expected invoice totals agreed with the other Services/Public bodies. This is copied to Finance.  The other Services/Public bodies then raise the invoice and Finance follow the usual procedure of checking for accruals. Once the invoices are loaded to the Agresso approval workflow, the Grant Manager checks the invoice against the expected amount and approves only if it corresponds with the amounts expected (per the emails provided as evidence).  A review of the procedure for non-PO invoices will be undertaken to ensure compliance with FPR's.
<b>Responsible Officer</b>	Grant Manager / Accountancy & Systems Manager
<b>Implementation Date</b>	31/03/2024
<b>Current position As at 30/11/2023:</b>	<b>Ongoing</b> – The review period is ongoing as the Audit Report was only received 06 <sup>th</sup> November 2023. This recommendation relates to the Service's Creditors processes and the Services Financial Procedure Rules, which will need to be reviewed and go through an approval process if any changes are required.

### 3.5 Main Accounting System (MAS)

One issue was raised in the 2023/24 audit, which is now complete.

<b>Main Accounting System (MAS)</b>	
<b>Finding 1:</b>	Testing identified four instances where amendments to financial codes did not have appropriate authorisation or supporting documentation completed.
<b>Recommendation Priority Level: *</b>	<p>Consideration should be given to documenting the process for the amendment of financial codes, for inclusion in the Budget Guidance, to ensure that all staff are clearly aware of the process, documentation to be completed, and authorisation requirements.</p> <p>All amendments should have adequate supporting documentation available that has been approved appropriately.</p>
<b>Management Response</b>	<p>The 4 instances identified relate to account rule changes to account codes linked to the Construction Industry Scheme (CIS). It is proposed to document the process for the amendment of existing financial codes into a finance specific guidance "Unit 4 ERP (Agresso) System Admin Guidance".</p> <p>Where there are amendments requested to existing financial codes by a member of the Finance team, the relevant authorised officers in the Finance team should be copied in on any e-mail requests. No specific authorisation requirements are deemed necessary for amendments to existing financial codes.</p>
<b>Responsible Officer</b>	Head of Finance
<b>Implementation Date</b>	30/11/2023
<b>Current Position As at 30/11/2023:</b>	<p><b>Complete</b> - The process for the amendment of existing financial codes has been incorporated into the Finance Department specific guidance "Unit 4 ERP (Agresso) System Admin Guidance".</p> <p>The relevant authorised officers in the Finance team will be copied in on any e-mail requests but no specific authorisation requirements are deemed necessary for amendments to existing financial codes.</p>

### 3.6 VAT

One issue was raised in the 2023/24 audit, one of which is currently ongoing as the implementation date is not until 15/01/2024.

VAT	
<b>Finding 1: Authorisations</b>	<p>Testing identified that the VAT return for 1st March 2023 to 31st May 2023 was authorised by the Accountancy &amp; Systems Manager.</p> <p>It is noted that the current 'VAT Return Completion and Submission' document does not specify the officers responsible for authorisation of VAT documentation and submission of returns.</p> <p>There are currently five members of staff within the Finance Department who have access to the MTD bridging software provided by AbraTax. Whilst any of these five officers can complete and submit claims, there is currently no documented process in place to ensure a second officer checks the claim entered onto Abratax, for accuracy, prior to its submission. This control was in place in the past.</p> <p>Testing also identified that the authorisation of documentation, such as the VAT monthly proforma and 'de-minimus' calculation, is often undertaken using a photographic image of the authorising officer's signature. These documents are editable and, as such, the picture signature may be copied and subsequently mis-used.</p>
<b>Recommendation Priority Level: **</b>	<p>The responsibilities of officers, including the creation, checking, authorisation and submission of relevant documentation should be specified, and subsequently fully complied with. These should ensure an adequate separation in duties is maintained.</p> <p>VAT returns and submissions should be authorised by the documented, designated authorising officer.</p> <p>A process should be documented to ensure a second officer checks the claim entered onto Abratax, for accuracy, prior to its submission. The possibility of restricting access to the functions appropriate for each member of staff should be explored, in order to ensure that inappropriate or inaccurate returns are not submitted.</p> <p>All documentation requiring authorisation should be supported by evidence to demonstrate that the actual authorising officer has seen and approved the document in question.</p>
<b>Management Response</b>	<p>Every VAT return and De-minimis calculation shows the creator, checker (the Service's VAT consultants) and approver, with electronic signatures being present as well as supporting emails from the VAT consultants. Using version control in either document it is easily established if the signature was added to the document by the appropriate person. The procedure will be updated as appropriate.</p> <p>The current VAT submission process is that an Accountant enters the values onto AbraTax and a Manager checks and approves it for submission to HMRC. This is appropriate to ensure segregation of duties and the procedure will be updated to reflect this.</p> <p>We will consider an alternative to adding signature images to documents as evidence of approval.</p>

<b>Responsible Officer</b>	Accountancy & Systems Manager & Head of Finance
<b>Implementation Date</b>	15/01/2024
<b>Current Position As at 30/11/2023:</b>	<b>Ongoing</b> - Procedures are currently being updated accordingly, and consideration will be given to an alternative to adding signature images to documents as evidence of approval.